The Neo-Classical Perspective and Marxian Prediction of the Global Financial Meltdown

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Abstract: Neoclassical economists backs the views of the classicists that the capitalist economic system has an inbuilt mechanism' to correct the ills of any economy that adapts this system. The Marxists, on the other hand, opposed the capitalist system and maintained that the former has the seed of its own destruction inherent in the system. Marx himself predicted that capitalism was full of crisis and since his prediction, three major crises had taken place and all had their origin in the United States. The first one took place in the 1830s and was limited to some European countries, The second one took place in the 1930s and was described as the Great Depression - with a greater spread because of improvement in communication. The most recent one which started in 2008 is described as the Global Financial Meltdown and has the greatest spread because of the impact of globalization. Because of this particular crisis, die-hard capitalist countries are now thinking in the direction of socialism and it is not uncommon to hear of terms like Regulation, Nationalization, Stimulus Packages, Reforms, and Government Intervention, among others. Some recommendations have been made as to how Nigeria could come out of the biting financial crisis.

Keywords: Neoclassical; Marxist; Capitalism; Socialism; Great Depression; Financial Meltdown

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1. Introduction

Neoclassicism is usually applied to the economic thought which flourished in Europe and North America between 1870 and World War I. It emerged as a consequence of the failure of some of the natural laws of the classical economists to work in the changing world of the late 1800s (Iniodu and Ukpong, 2001). Anyanwu and Oaikhenan (1995) maintained that the neoclassical macroeconomic thought is associated with the marginalist revolution of the mid 19th century and in the UK were developed in the works of Jevons, Marshall and Pigou.

On the other hand, Marxism is a socio-political and an idealistic economic system and/or ideology that would result from the destruction of the capitalist system and is

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characterized by the means of production and distribution being collectively owned and controlled by the state (Ande, 2008). The unique feature of Marx's socialism was his historical approach to the subject of his analysis, and his materialist interpretation of history. This approach, which came to be known as Historical Materialism, enabled him to identify and explain the events which determine the direction of movement of a social system.

1.1. Neo-Classicism and Marxism Compared

Neoclassicism is primarily concerned with refining the principles of price and allocation theory, marginalism and the theory of capital and related aspects of economics. It thrives in the midst of social problems and hardships such as long hours of labour, dangerous and unhealthy working conditions, the preponderant economic power of employers on bargaining with workers, usury, the rise of monopolistic business, and insecurity in old age, among others (Oser and Blanchfield, 1975).

Contrarily, Marxism supported movements to encourage communism, government intervention as well as trade unions, to ameliorate conditions by controlling the economy, getting rid of abuses, and income redistribution (Oser and Blanchfield 1975). In each case, the conflicts that would arise from class struggles would destroy the old system and create a new one. But, up to and including capitalism, Marx argued that each new system that would be created would also be based on classes, antagonistic classes. He believed that capitalism would be the last class-based system of economic organization; the system that would become apparent once it has been obliterated would be a more rational socialist economy.

Neoclassicism or marginalism, the economics of conservatism, favoured all those whose interests committed them to the status quo, who resisted the currents of change. This type of theory' favoured employers (even though most of them did not really understand it) by opposing unions and by attributing unemployment to wages that were inflexible on the downward side. It defended land owners against Ricardian rent theory. This school favoured the wealthy who generally were opposed to government intervention that might tend to redistribute income.

Akpakpan (1999) maintained that Marx argued that throughout history, the transition from one system of economic organization to another was due to class conflicts. The conflicts were between the class which owned and controlled the forces of production to produce goods and the class which do not own and control the forces of production. These conflicts arose because changes were taking place in the forces of production in response to changes in demand. Changes were resisted in the area of social relations of production, that is, in the ownership and control of the productive-facilities in the sharing of output.

Concerning the method of analysis, the neoclassicists developed new and powerful tools of analysis, especially geometrical diagrams and mathematical techniques. Economics became a more exact science and conditions of demand were given importance as one set of determinants for prices of both final goods and factors of production. Fundamental assumptions underlying economic analysis were explicitly stated by the marginalists. The methodological controversies they aroused finally led to a separation of objectives and verifiable principles that are based on certain assumptions and principles that depend on value judgments and philosophical outlook.

According to Iniodu and Ukpong (2001), Marx was influenced by Hegel's dialectic who postulated that knowledge and progress occurred through a process of opposing ideas or forces. An existing idea or thesis, is at some point confronted with an opposing ideas, antithesis, and there is a struggle of some sort. The outcome of the struggle is a synthesis, which may later on become a thesis and the process starts again. Marx adopted Hegel's dialectic to explain the stages of economic development. According to Marx, history is a dialectical process characterized by struggles between social classes over the division of social product. This method of analysis is described as Dialectical Materialism or Materialistic Dialectism or Historical Materialism

The marginalist school concentrated on the margin - the point of change where decisions are made to explain economic phenomena. They extended to all of economic theory the marginal principle that Ricardo developed in his theory of rent. The marginalist approach was also microeconomic rather than macroeconomic, and in it, the individual took over centre of the stage. Instead of considering the aggregate economy, the marginalists considered individual decision-making, market conditions and prices for a single type of goods, the output of a single firm, and so on.

Whereas Marx's contribution to economic analysis was the provision of an alternative and illuminating approach to the problems of the subject. Robert Heilbroner (in Akpakpan 1999) argues that Marx created a method of inquiry that imposed his stamp indelibly on the world, a method which permanently altered the manner in which reality would thereafter be perceived.

The neo-classicists continued the classical school's defence of laissez faire as the most desirable policy - there should be no interference with natural economic laws if maximum social benefits are to be realized. They also believed that economic forces generally tend toward equilibrium – a balancing of opposing forces. Whenever disturbances cause dislocations, new movements toward equilibrium occur. They also assumed that people are rational in balancing pleasures and pains, in measuring marginal utilities of different goods, and in balancing present against future needs, They also assumed that rational behaviour is normal and typical and that random abnormalities will cancel each other out; their approach was hedonistic, for they assumed that the dominant drives are to maximize pleasure and minimize pain (Oser and Blanchfield, 1975).

Contrarily, the concept of class struggles postulated by Marxism does not enhance the existence of equilibrium in the society. According to Marx (in Bhatia, 1981), the record of all previous societies has been based on advancement of class rivalries that took up different types at different eras. To Marx, class is not a functional class in terms of income, but an economic class in terms of its economic interests and these interests are not fixed in the society but are the results of production relations which the society has adopted. In the capitalist mode of production, we have the capitalists, the workers and the middle class. When a new mode of production comes into being, there is an increase in the productive powers of the society because of the superior productive organization which comes about. The existing mode of production is favoured by the class who happen to be favoured by it while those who are oppressed want a change: The working classes in particular want a change because they realize that in the existing set up, they are not able to appropriate the produce which naturally belongs to them. In due course, the society gets divided into clear-cut economic classes and through one or other form of struggle, the existing mode of production is thrown over. In some respects, these new relations are somewhat better for the hitherto oppressed classes also, but given the materialistic dialectism, the new mode of production also comes in conflict with the social relations. Thus, the class struggles go on and as such, equilibrium is not possible. With every crisis, the working classes move to a position of increasing poverty as compared with the capitalist classes. Also, in the process; the middle class is thinned out and it eventually vanished (Bhatia, 1981).

On the part of the classicists, there were few attempts at inductive verification of theories in order to remain a dominant school of thought. At times, hypotheses were framed in ways that excluded testing, but still they believed that the laws, generalizations and theories they postulated were universally applicable.

1.2. Business Cycles

The neo-classicists generally ignored the issue of business cycles based on the firm conviction that Say (1803) was right when he said that supply creates its own demand and economic growth, and this theory was inadequate for underdeveloped countries. Iniodu and U.kpong (2001) postulates that Marx was the first major economist to notice that by the middle of the 19th century, "heavy unemployment was quite a frequent occurrence in the developing industrial countries of Western Europe", or the first to realize that the phenomenon required an explanation. He not only built the "trade cycle" into his analysis but said it is an expression of the inner contradictions of the capitalist system. He expected the trade cycles to get progressively worse" and to lead eventually to the collapse of the system. Marx explained that as employment increases, rate of profit declines and wages remain at subsistence level, uncertainty and instability build up. Competition among capitalists to acquire more physical capital to displace labour continues. This is a fundamental component of modern economics which the neo-classicists did not take into consideration in their explanations but which Marx incorporated in his analysis.

Akpakpan (1999) maintains that one other contribution of Marxism is the explanation of the fluctuations in economic activity in the capitalist system – the periodic bouts and booms and depressions – and the explanation of the phenomenon of monopoly in capitalist production. Bowden (1985) in Akpakpan (1999), states that about the late 1800's and early 1900's, these problems became so serious in the capitalist world that some governments began to interfere with the market process. The United States' government, for instance, passed laws to try to curb the rise of monopolies. The problem of depression was largely ignored in the belief, as the economics of that time taught, that the problem was bound to be temporary, and that the system which was assumed to have an in-built mechanism to correct such ills would deal with it.

The marginalists tried unsuccessfully to stem the tide of social change that threatened to .engulf their concepts. Finally, floundering helplessly during the Great Depression of the 1930s, they merged forces with the Keynesians and salvaged something from the wreckage. Rodbertus (in Bhatia 1981) maintained that through its own evolution, capitalism would give way to a state of socialism after government intervention in the economy. This was "Utopia Socialism" and not "Scientific Socialism" which Marx postulated - the inevitable consequence of the evolutionary process through which capitalism would give way to another social system just as capitalism itself took the place of serfdom or feudalism.

2. Concentration of Capital

Marx in his analysis pointed out another aspect of the inner contradictions in the capitalist system of production. It is due to these inner concentrations that the capitalist are always in the race with each other to create and grasp as much of surplus value as possible. To this end, they take certain steps which lead to economic crises, and falling rate of profit, among others. At the same time, the severity of the crises increases with each occurrence. The gap between the value of the goods produced and the corresponding purchasing power coming to the market to purchase them is increasing with every circle and as a result, some capitalists go bankrupt and there is a reduction in the number of capitalists in whose hands the means of production get concentrated. The degree of concentration increases all the more due to the fact that while the number of capitalists are decreasing, the amount of capital to be owned increases through accumulation. The working classes suffer periodically on account of the phases by which the reservoir of unemployed workers get filled and depleted (Bhatia 1981).

Unlike neo-classical economics, Marxism did not consider capitalism as an eternal thing - it is a passing phase in history. It had evolved out of the past history and carried the seeds of its own destruction. Like every social system experienced in history, capitalism had its own inner contradictions which could be resolved only by its own overthrowing.

2.1. Capitalist Accumulation and Crises

Marx attacked Say's Law of Markets, saying that it applied only to simple commodity production. Self-employed small artisans, seeking to acquire use values, produce commodities in order to exchange them for others they wish to consume. Marx in (Oser and Blanchfield, 1975) went on to say that even under simple commodity, the possibility of crisis exists.

The increase in labour-saving machine and the growth of big business leads to absolute and relative impoverishment of the workers. The tendency towards absolute impoverishment means that the standard of living of workers will fall. Relative impoverishment means that even if standards of living remain stationary or rise somewhat, the percentage share the workers receive of the new value they produce will decline; workers will grow poorer relative to the capitalists. With the workers becoming more impoverished, their will to revolt increases. The proper fall of the capitalist echoes and the expropriators are expropriated.

3. Marx's Prediction and the Global Financial Crisis in the Capitalist System

In analyzing the causes of crises, Marx held that the accumulation of capital leads to over production relative to "needs with capacity to pay", that is, cumulative technological developments and increasing productivity of labour lead to expanded production, but the market expands more slowly because of the limited purchasing power of the workers. Periodic crises occur because supply exceeds demand, and thus, the profitability of production temporarily disappears. If accumulation proceeds rapidly enough, the request for labourers might surpass the quantity of labourers, and thus might lead to a rise in wages.

If the incentive to grow is dull, the speed of accumulation is reduced and the labour cost falls as the economy goes into a slump. Crises are therefore inevitable, and rising wages leave intact the foundations of the capitalist system (Oser and Blanchfield, 1975).

The system recovers from each crisis, however, even though the way is paved for more severe crises in the future. This will arise because some capital values are destroyed, as the monetary value of fixed capital assets collapses in a depression, some factories close; prices of commodities fall; credit contracts; and wages fall. The fall in prices and the' competitive struggle give every capitalist an impulse to raise profits by means of new machines, new and improved working methods and new combinations. The depreciation of the value of constant capital tends to raise the rate of profit. "The present stagnation of production would have prepared an expansion of production later on, within capitalist limits", Marx concluded (Oser and Blanchfield, 1975).

3.1. Evidences of Global Financial Crises in a Capitalist System like United States of America

Global financial crisis is a phenomenon characterized by failing financial institutions, frozen credit, volatile stock markets, mounting job losses, and painful cuts in wages of workers, impacting the lives of struggling citizens worldwide. Thus, there is the spread of the financial crisis into the real economy of production, investment, employment, and consumption with serious consequences around the world. The 2008 crisis originated in the USA (as did the two previous ones of the 1830s and the 1930s) because of inadequate regulation of certain exotic instruments in the mortgage security market and it has significant impact on the lives of certain key institutions in the country (Fanimo, 2008). According to Osunkeye (2009), there have been three major economic crises in the history of the USA, which more or less, has spread to other countries. The global spread of the 1830s depression was largely restricted due to limited communication and globalization but it still sneaked across US borders to some European countries.

One hundred years later, in the 1930s, another economic crisis struck the USA and was regarded as the most vicious and therefore referred to as the Great Depression. This particular depression was more global in spread, partly because the world was more closely knit through advancements in communication technology. In 2008, another economic crisis hit the USA and spread to other parts of the world, again because the world had become more than ever before, a "global village". Gordon Brown, the then British Prime Minister stated that the economic crisis more dramatically than ever before, had exposed the true nature of global interdependence.

Interestingly, the causes of these depressions were similar. They all had their roots in careless banks lending. In 1832, after President Jackson had obliterated the Bank of USA which the people had regarded as an enemy, but which in reality, had provided the country with stable currency and prevented state banks from lending freely, there were no more checks on local banks. There came to be a high level of reckless guesswork about land in the 1830s, and these speculators had little troubles in persuading local banks to loan them cash. Consequently, communal land sales rose from 4 million acres in 1834 to 20 million acres in 1836 and this caused disastrous panic in 1837. Banks and business houses closed their doors, thousands of farmers lost their farms through mortgage foreclosures, there was almost total unemployment among eastern factory workers, and works on canals and newfangled railroads almost crowded to a halt. Then it was described as the most severe depression in the history of USA.

3.2. The 2008 Financial Crisis

The 2008 financial crisis in USA could be traced to the collapse of the housing market and the high default experienced on sub-prime mortgages. Sub-prime lending is the giving of loans to borrowers who do not qualify for the credits. These borrowers got the loans based on their income levels, down payment, or due to the virtue of their credit history. They have been borrowing and paying back and so it is assumed that they will always pay back.

Steve Forbes cited by Osunkeye (2009) stated that through creating excess liquidity, the Federal Reserve Bank made possible a global commodity bubble and a housing bubble. Two government - sponsored enterprises, Feddie Mac and Fannie May, created to provide liquidity for the housing market came to dominate the financing of housing. Half of the mortgages in the USA, over five trillion are either owned or guaranteed by these two entities, which then gave in to empire building and greed. In March, 2007, sub-prime mortgages went as high as $1.3 trillion in the US and about 25% of it turned out to be bad loans. In all, 9.5% of all mortgage loans were reported to be delinquent. These risks were extensively distributed, leading many investors, corporations, commercial and investment banks, lenders and real estate investment firms to become infected when borrowers could no longer pay back. To compound the problem, housing prices declined daily, affecting the stock market.

Just as in the previous economic crises, there was poor judgement by lenders, speculations by the financial market, high personal and corporate debt, dangerous financial innovations harbouring bad risks and disregard to sound regulations. The financial institutions lent to sub-prime borrowers in droves. They granted Ninja loans which slacked, and this put the stock market in America in turmoil. The financial markets experienced fright and investors began to take their money out of risky mortgage bonds. All these joined hands to bring about the credit squeeze that ravaged not only the economy of the USA, but also the global economy. As in all terminal diseases, the mortgage virus attacked vital organs of the economy. Three major financial institutions - Merrill Lynch, Lehman Brothers, and American International Group (AIG) collapsed. Although the crash of these three institutions happened at the same time, their terminal sicknesses were prolonged.

In summary, the causes of the global financial crisis in the USA which spread globally could be stated as follows: -

(i) Non-intervention of government in the stock markets: Prices of equities were falling and government failed to intervene to prop up prices. In a situation of falling prices government is supposed to act as a liquidity provider, but because neoclassical economics prohibits government intervention, it could not do so.

(ii) Lack of efficient/effective laws on capital market operations. These would have helped to eliminate the challenges militating against stock market development because of the resurgence of the bulls.

(iii) Non-regulation of banks: Government is supposed to exercise strict control over banks' rules and regulations.

Banks themselves neither lend money nor borrow money from each other without sufficient collaterals. But the business community was allowed to borrow money without ability to pay back. These were the causes of the crisis which Karl Marx predicted will take place because of the inner contradictions of capitalism.

3.3. The Spill Over

Globalization has integrated different countries' economies such that any ripple in one is bound to spread to others. This is more so when the ripple is taking place in the more advanced countries. For this reason, Americans were not the only one that faced the danger of economic recession. The impacts of the collapse of these major financial institutions on Wall Street spread across the world.

In Europe, credit crunch, high food and energy crises took their toll on the economies. In France, cafes and restaurant receipts went down by 20%, and nearly 3,000 were said to have been closed (Osunkeye, 2009). In Italy, consumer groups led a one-day boycott of bread to protest a 30% price increase. The number of Britons drawing unemployment allowance was at a nine year high in December 2007. Ireland declared itself in recession and government's statistics office said the once ferocious "Celtic tiger" economy had shrunk for the second straight quarter in June 2009. Denmark was in recession at the end of March 2009 and the European commission warned that it could get bad in Britain, Germany and Spain before 2009 ran out. The immediate impact of the credit crisis on the city of London was measured in job losses. From a peak of 353,000 in 2008, London financial district projected to see employment fall to around 291,000 during 2009. According to the Centre for Economic and Business Research, major casualties took place among investment banks, stock brokers and advisory boutiques that acted as intermediaries between companies and investors.

In China, Premier Wen Jiabo was reported to have stated that the recession in the US market would definitely have an impact on China. In 1999, China-US trade stood at only $102.6 billion. But by 2009, it had risen to $302 billion. Though, there had been noticeable external decline in Chinese products which cannot be significantly increased in a short period of time. Really, a global slowdown was bound to hit the world's second largest exporter. According to the IMF, Chinese output grew by 1l.9% in 2007; 9.7% in 2008; and was projected to shrink to 8.5% in 2009. However, China had been projected to be on its way to becoming the world's largest economy by 2005, if current trends in its trade, demography, access to natural resources, investments and technological innovations persist.

Even if the real impact of the economic crisis originated in US was not yet in Africa and other developing countries, the fear of it was felt everywhere. For instance, Tanzania feared that the financial turmoil in the US and European Union would make remittances from abroad hard to be realized. There was the fear that in short term perspective crisis could affect exports, imports and remittances.

4. Actions Towards Socialism

Growing fears that the world was slipping into a downturn had forced authorities everywhere to use every available means to protect their economies. Apart from the Bank of American's acquisition of Merill Lynch, the US government had given $85 billion to the American International Group (AIG). The former grand US insurer, which had written $441 billion worth of swaps on corporate bonds as at June 30, 2008, was struggling to raise money to pay back the loans through sales of its assets. After much debate by the US Congress, it proposed to release $700 billion to bailout the troubled financial system and kept the companies going. The legislators has been lobbied and warned that if they failed to act, there was the possibility of the biggest financial meltdown in American history. The House Speaker announced a tentative agreement authorizing government to buy up to $700 billion of toxic assets from financial institutions.

Elsewhere, the Dutch government had proposed to inject over $13.4 billion into ING, one of its biggest banks, to save it from collapse, while Germany planned to throw in $32 billion to boost business. South Korea had announced that it will make available a $100 billion investment fund to troubled businesses to shore up its financial system. Despite the fact that Korea has a huge $240 billion in foreign reserves, the country was experiencing severe shortage of US dollars as local banks were not able to provide for trade credit. Around October 2008, the UK government committed $58 billion to save several lending banks in the country. Similarly, the Treasury had seized Bradford and Bingley, Britain's biggest lender to landlords, and in Belgium, Dexia, the second largest European bank was bailed out by French, Luxemburg, Belgian governments by throwing in $9 billion to keep it afloat. The three governments had similarly thrown in $16.3 billion to save Fortis Bank, partly nationalizing it.

Earlier, the European Central Bank had tried to calm jittery markets by lending 61 billion Euros to institutions. Central Banks in North America and Asia also injected liquidity to calm fears of a credit crunch and allow borrowers to meet short-term lending needs. Having cut interest rates three times within the past months, the Chinese State Council had authorized $586 billion of stimulus spending for 2010 and 2011. Late October 2008, Japan, the world's second biggest economy unveiled a $51 billion package of spending measures to support its economy. In addition, the Bank of Japan also injected $8.5 billion after the call rate rose to 0.54% against the bank's 0.5% over night target. Apart from the pinch of the global downturn on Japan, the economic crisis is heralding a shift in the balance of financial power from West to East. Nomura, the Japanese Bank in the wake of the economic crisis signed a deal to buy the bulk of the failed Lehman's operations in Europe. Other Asian Central Banks sold the US dollar, reassuring the markets that any effect of any credit crisis would be limited as exposure to sub-prime loans in the region is relatively low. Monetary authorities in Singapore and Hong Kong also announced they were monitoring markets but saw no need to inject cash for now. The Bank of Korea said it would provide liquidity to financial markets should a credit crunch arise due to the sub-prime crises.

Coming to Nigeria, the Central Bank of Nigeria (CBN) announced the reduction of the Monetary Policy Rate (MPR) in September 2008 from 10.25% to 9.75% to prevent any possible negative effect of the global financial crisis on Nigeria’s economy which was witnessing bearish run in the stock market. Some other policies announced by the CBN include the reduction of Cash Requirement Ratio (CRR) of banks from 4% to 2% to enable banks to meet up with their cash requirements of customers. By this reduction, it is expected to inject about N150 billion. As at November 17 2008, the federal government of Nigeria reconsidered the Naira re-denomination which it had earlier rejected as fallout of the global economic crisis.

All these measures were taken because it affected the economy through impact on the capital market and by extension the banks through their exposure to the capital market, collapsing oil prices and implications for external reserves, fiscal revenue and exchange rate, decline in capital inflows, and trade credit lines to banks, among others (Jamiu and Chesa, 2009).

4.1. Implications of Direct Intervention

This direct intervention by Western governments and the regulations of their financial institutions is a contradiction of the neo-liberal policy which Western governments have preached for several decades and even made developing economies to adopt. Although these governments have not admitted there has been a paradigm shift in capitalism vis-a-vis socialism, the global crisis has brought back nationalization using different appellation and methods.

The West had advised Third World Countries to take their examples to privatize national industries, abolish subsidies, reduce social economic spending, liberalize trade barriers and de-regulate financial and labour markets. Even before the 1830s, the US government had encouraged a laissez-faire business environment for American business community. President Jackson, who had inherited their philosophy from Thomas Jefferson, saw the role of government as simply "to restrain men from injuring each other and leave them otherwise free to regulate their own pursuits of industry and improvement". Since then, this freedom has resulted in three economic crises.

One hundred years later, the economic crisis returned in the 1930s (the Great - Depression), President Roosevelt offered what he called a "new deal" to Americans. Although they refused to acknowledge it, the new deal was a slight shift towards socialism. Roosevelt made it clear then to the Americans that he intended to take actions that would help the "forgotten man at the bottom of the economic pyramid". He did that and that began the healing process of the Great Depression of the 1930s. Almost 100 years later, perhaps, after the man at the bottom of the economic pyramid had been forgotten once again, and the inordinate greed of man had been unleashed, disaster struck again.

Now has the world realized that it needs a certain measure of socialism to function properly? John Castellani, President of the Round Table which represents executives of US companies once remarked that "we are a bit socialist now" (Osunkeye, 2009). Castellani is not the only one slightly converted to socialism. Barrack Obama, the past America President, had also been accused by McCain (his former Presidential rival candidate), of touting socialist tax policies, but was vindicated by George Bush's $700 billion rescue fund. Tony Blair was also a centre-left Prime Minister of Britain who once stated that he was not wielded to left-wing ideology, but believed in social justice.

5. Conclusion

Karl Marx, the founder of scientific socialism or Marxism, used historical approach to the subject of his analysis and materialist interpretation of history. He believed that a historical approach was needed to be able to explain any form of economic organization. He argued that throughout history, the transition from one system of economic organization to another was due to class conflicts and that the conflicts eventually destroy the old system and created a new one. He specifically mentioned the periodic bouts and booms and depressions, as well as the contradictions he believed would bring about the destruction of the capitalism system.

Since Marx's prediction, three major crises had taken place namely, the one in the 1830s, the Great Depressions of the 1930s and the 2008 global financial meltdown. We can safely conclude that the global financial crisis compares accurately with Marx's prediction of economic crisis in the capitalist system. The end of capitalism is not in sight because the proponents of the system always have a way of fighting back but it appears that all over the world, there is a little more shift to the left.

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